



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

DRAFT

Date:	01/06/14	Bill No:	Assembly Bill 769
Tax Program:	Property	Author:	Skinner
Sponsor:	California Assessors' Association	Code Sections:	RTC 402.5
Related Bills:	AB 483 (Ting)	Effective Date:	01/01/15

BILL SUMMARY

As a housekeeping measure, this bill substitutes the term “valuation date” for “lien date” in reference to selecting comparable sales to estimate a property’s value.

ANALYSIS

CURRENT LAW

Existing law provides taxes on the supplemental roll become a lien the date the property changes ownership¹ while the lien date for taxes on the regular roll is January 1².

Under the comparative sales approach to value, Section 402.5 prohibits the assessor from selecting sales that occur more than 90 days after the “lien date.” The law requires comparable sales to “be sufficiently near in time to the valuation date” and specifies that “near in time to the valuation date” does not include any sale more than 90 days after the “lien date.”

For property tax purposes, “lien date” is typically associated with the January 1 lien date for the regular roll. Since Section 402.5 uses both “lien date” and “valuation date” in the last sentence, confusion arises because tax administrators do not generally refer to a lien date for the supplemental roll.

PROPOSED LAW

This bill replaces the term “lien date” with “valuation date” in Section 402.5, the comparable sales valuation method statute.

BACKGROUND

In estimating a property’s fair market value, the assessor uses various valuation methods. The three major appraisal approaches are the comparative sales approach, the cost approach, and the income approach. Under the comparative sales approach, the assessor estimates value based on the sales price of comparable properties. In selecting comparable sales, an assessor seeks properties similar in size, quality, age, condition, utility, amenities, site location, legally permitted use, or other physical attributes to the subject property. A sale that occurred more than 90 days after the subject property was appraised cannot be used.

When reassessing a property due to a change in ownership (i.e., the supplemental roll), the 90 day limit begins running on the sale date. The 90 day limit for the annual fixed lien date (i.e., for the regular roll), begins January 1.

¹ Revenue and Taxation Code (RTC) Section 75.54

² RTC 2192

COMMENTS

1. **Sponsor and purpose.** The California Assessors' Association is sponsoring this change to provide clarity. Section 402.5 causes confusion because the term "supplemental roll lien date" is uncommon. Rather than a fixed date, the supplemental roll has a "rolling" event-driven lien date.
2. **Amendments.** The prior version of this bill contained income tax provisions outside the BOE's purview.
3. **Some assume the term 'lien date' can only mean January 1.** Under the erroneous assumption that the lien date referred to in Section 402.5 means January 1, an assessor estimates a house's value for an October 2012 change in ownership based on sales occurring before April 1, 2012 (90 days after January 1, 2012), even though sales occurring nearer to October 2012 are available. Using outdated sales data results in an inaccurate estimate of the property's October 2012 value.
4. **This bill reflects existing law.** Section 75.54 defines "lien date" for real property on the supplemental roll to mean the change in ownership or new construction completion date. Under Section 402.5, "lien date" is intended to be synonymous with "valuation date" and is therefore technically accurate. This bill clarifies the law and eliminates the need to find the reference to "lien date" in Section 75.54.
5. **This section predates the supplemental roll and its rolling lien date.** Section 402.5 has not been amended since 1980, three years before the creation of the supplemental roll. The lack of any amendment since 1983 adds to the impression that the lien date reference in Section 402.5 means January 1.
6. **The BOE's Assessors' Handbook explains that "lien date" and "valuation date" are synonymous for purposes of Section 402.5.** In Assessors' Handbook Section 502, [*Advanced Appraisal*](#) page 36, footnote 34 reads: "Section 402.5 uses the term 'lien date' and not 'valuation date.' However, Section 75.54 defines lien date for real property [on the supplemental roll] to mean the date of the change in ownership or completion of new construction. Thus, lien date is synonymous with valuation date."
7. **This bill is consistent with a property tax administrative regulation.** Property Tax Rule 324 also uses the term "valuation date" rather than "lien date" when specifying what sales would be considered sufficiently near in time to be deemed comparable. This regulation relates to assessment appeals board decisions. The appeals board decides valuation disputes between the assessor and property owner. It reads in relevant part:

(d) COMPARABLE SALES. When valuing a property by a comparison with sales of other properties, the board may consider those sales that, in its judgment, involve properties similar in size, quality, age, condition, utility, amenities, site location, legally permitted use, or other physical attributes to the property being valued. When valuing property for purposes of either the regular roll or the supplemental roll, the board shall not consider a sale if it **occurred more than 90 days after the date for which value is being estimated.** The provisions for exclusion of any sale **occurring more than 90 days after the valuation date** do not apply to the sale of the subject property.

8. **Related Legislation.** AB 483 (Ting) included identical provisions that were amended out of that bill on August 13, 2013.

COST ESTIMATE

The BOE's administrative costs would be absorbable.

REVENUE ESTIMATE

This measure does not impact state or local revenues.

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